

U.S. Department of Homeland
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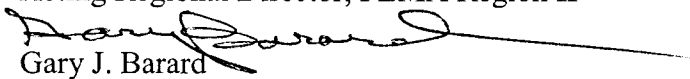


Homeland
Security

October 12, 2004

MEMORANDUM

TO: Joseph Picciano
Acting Regional Director, FEMA Region II

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Hudson County, New Jersey
FEMA 3169-EM-NJ
Audit Report No. DA-02-05

The Office of Inspector General (OIG), at the request of FEMA Region II, audited public assistance funds awarded to Hudson County, New Jersey. The objective of the audit was to determine whether the County, and other recipients of grant funds, accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The County received an award of \$6.2 million from the New Jersey Division of Emergency Management, a FEMA grantee, to provide emergency protective measures associated with the September 11, 2001, terrorist attack on the World Trade Center (WTC). The award was made after all costs were incurred and activities performed, and provided 100 percent FEMA funding for 16 large projects and 9 small projects.¹ The OIG limited the audit to the \$5,935,503 awarded and claimed under the 16 large projects (see Exhibit A).

Under terms of the award, FEMA earmarked \$363,588 for Hudson County and the balance of \$5,813,134 for use by 16 other municipalities and nonprofit organizations located within Hudson County (see Exhibit B). This included Jersey City which was allocated \$4.6 million for 7 large projects and 3 small projects. The audit focused primarily on Jersey City's claim of \$4.5 million under the 7 large projects, and Hudson County and the Township of Weehawken's claim of \$444,656 under 2 large projects.

The audit covered the period September 2001 through December 2003. During this period, the various entities received \$5,935,503 of FEMA funds under the 16 large projects.

¹ According to FEMA regulations, a large project costs \$50,600 or more and a small project costs less than \$50,600.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

Jersey City did not maintain an effective system to account for and document overtime salary charges made under various projects. Additionally, the OIG determined that costs claimed by Jersey City, Hudson County, and the Town of Weehawken included \$2,082,429 of overtime salary charges that were unsupported, ineligible, or unreasonable.

- A. Poor Grant Accounting and Unsupported Costs. Federal regulation (44 CFR §113.20 and OMB Circular A-87) requires recipients of FEMA funds to establish an accounting system that refers to documentation in support of expenditures (invoices, cancelled checks, etc.) and ensures that such expenditures are allocable to the FEMA program. Contrary to these requirements, however, the OIG found that Jersey City failed to maintain an adequate system to account for and document overtime salary charges of \$859,199.

The Jersey City claim of \$4.5 million consisted primarily of \$3.3 million of overtime salaries of police officers engaged in emergency service work. To account for the claim, Jersey City prepared a schedule that listed regular and overtime hours worked each day by police officers, the officer's rank and hourly rate of pay, and total charges. The schedule, however, did not identify the specific divisions and sub-divisions to which the officers were assigned. This information is essential to readily and systematically trace overtime claims for various officers to supporting documentation (i.e. pay records, overtime authorization forms, and activity reports).

Moreover, for overtime claims totaling \$859,199, Jersey City officials could not provide activity reports reflecting the nature of work performed or the allocability of such work and related cost to the FEMA projects. Accordingly, the OIG questions these charges, as follows:

<u>Project Number</u>	<u>Overtime Cost Claimed</u>	<u>Cost Lacking Activity Reports</u>
61	\$1,139,102	\$246,053
213	891,421	354,815
214	901,227	218,199
215	<u>362,108</u>	<u>40,132</u>
Totals	<u>\$3,293,858</u>	<u>\$859,199</u>

- B. Ineligible Overtime Salary Charges. To be eligible for FEMA funding, federal regulation states that an item of work must be required as a result of the major emergency event (44 CFR §206.223). Moreover, in response to the attack on the WTC, FEMA established a

policy specifically prohibiting the use of grants funds for “heighten security”, which includes providing new or added security around public buildings, national landmarks, and other facilities. However, the OIG determined that costs in support of claims for Jersey City, Hudson County and the Township of Weehawken’s included \$1,215,911 for general response, heighten security, and other ineligible activities.

General Response Efforts

Project 122 and 205 provided funds for the Jersey City Fire Department to perform search and rescue services in response to the terrorist attack on the WTC. However, Jersey City’s claim under the projects contained \$919,659 of overtime labor costs for firemen who responded to fire alarms and 911 emergency calls in Jersey City. These general response efforts are normal and routine activities of the Fire Department and they are not contained within the approved scope of work for the FEMA projects. Accordingly, the OIG questions \$919,659 of charges, as follows:

<u>Project Number</u>	<u>Overtime Cost Claimed</u>	<u>Cost Questioned</u>
122	\$403,212	\$275,149
205	<u>644,510</u>	<u>644,510</u>
Totals	<u>\$1,047,722</u>	<u>\$919,659</u>

Heighten Security

Contrary to FEMA’s heighten security policy, Hudson County and Jersey City’s claim, under the five projects, contained \$293,791 of heighten security costs.

Under the five projects in question, the FEMA approved scope of work provided funds to perform traffic control, search and rescue, and security services throughout the metropolitan area. The FEMA Public Assistance Guide states that eligible security measures consist of alerting the public of dangers in the disaster area and setting up barricades or other warning devices around such areas.

However, Hudson County’s claim under Project 20 contained \$15,938 of overtime labor costs for police officers who provided security to the County’s courthouse. Similarly, Jersey City’s claim contained \$277,853 of overtime labor costs for police officers who provided security for religious, governmental, educational, and private facilities. FEMA made a policy determination that these heighten security activities, designed to prevent future terrorist attacks, are ineligible because such activities are not in response to conditions or circumstances created by the WTC attack.

The affected projects are:

<u>Project Number</u>	<u>Overtime Cost Claimed</u>	<u>Amount Questioned</u>
61	\$1,139,102	\$51,421
213	891,421	99,303
214	901,227	76,675
215	362,108	50,454
Totals	<u>\$3,293,858</u>	<u>\$277,853</u>

Heighten security costs were included in a package of documentation presented to FEMA for determining the extent of FEMA funding. On December 19, 2001, FEMA approved Project 61 but failed to identify the heighten security costs included in the documentation package. However, on January 31, 2002, prior to approval of Projects 213, 214 and 215, FEMA met with grantee and City officials and informed them that heighten security costs were ineligible and must not be included in the claim for any of the approved projects.

Other Ineligible Activities

The Township of Weehawken claimed \$172,199 of overtime labor costs under Project 87 for emergency work related to the WTC disaster. However, the OIG determined that \$2,461 of these overtime charges was for police officers who attended a charity event or funeral. Such charges do not constitute WTC emergency work and are therefore questioned.

- C. Unreasonable Labor Charges. The U.S. Office of Management and Budget Circular A-87 states that to be allowable under a federal grant program, cost must be reasonable in its nature and the amount must not exceed that which would be incurred by a prudent person under the prevailing circumstances. However, contrary to these cost principles, Jersey City claimed overtime labor charges for police officers who worked an inordinate or questionable number of hours during a workday, or in excess of the number of overtime hours permitted by a recently established City policy. As a result, the OIG questions additional charges of \$7,319.

Jersey City received \$4.5 million of FEMA funds under 7 large projects, \$3.3 million of which was for overtime pay of its police officers. The OIG determined that \$103,591 of the labor amount was for police officers who reportedly worked 17-24 hours per day. The Police Department recognized that a police officer working such extensive hours could pose a danger to society rather than offer protection. Thus, effective November 1, 2001, the Department established a policy that limited, to 16 hours, the number of hours a police officer could work during a given day. Since that date, however, 57 officers have worked in excess of the 16 hours limit and the City has claimed the associated cost of \$7,319 under Project 215. The OIG questions these charges as being contrary to and in violation of the Police Department overtime policy.

Additionally, several police officers reported that they worked overtime hours at the City's Office of Emergency Management (OEM) command center during October 11, 2001 – November 10, 2001. However, the OIG determined that the City's OEM was closed during this period, thus rendering questionable the accuracy of the reported hours worked and the related costs of \$80,211. These costs have already been questioned under Finding A as unsupported costs and are, therefore, not questioned under this finding.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$2,082,428 of questioned costs. This amount maybe reduced if documentation or justification can be provided to support the allowability of the cost in question.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee, County, City, and Town officials on June 24, 2004. County, City, and Township officials withheld comments pending analysis of the facts and receipt of the audit report.

Please advise the Atlanta Field Office–Audit Division by January 12, 2004, of the actions taken to implement the recommendation. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

Hudson County, New Jersey
FEMA Emergency No. 3169 -EM-NJ
Schedule of Claimed and Questioned Costs

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
20	\$ 272,457	\$ 272,457	\$ 15,938
21	56,747	56,747	
22	204,706	204,706	
26	206,451	206,451	
61	1,139,102	1,139,102	297,474
77	171,962	171,962	
87	172,199	172,199	2,461
116	65,251	65,251	
122	473,112	473,112	275,149
184	111,474	111,474	
205	644,510	644,510	644,510
213	891,421	891,421	454,118
214	901,227	901,227	294,874
215	362,108	362,108	97,905
287	121,258	121,258	
299	141,518	141,518	
Total	<u>\$5,935,503</u>	<u>\$5,935,503</u>	<u>\$2,082,429</u>

Hudson County, New Jersey
FEMA Emergency No. 3169 -EM-NJ
Schedule of Direct Federal Payment
Other Municipalities and Nonprofit Organizations

Large and Small Projects

<u>Sub-Recipients</u>	<u>Amount Received</u>
Jersey City	\$4,645,084
City of Bayonne	216,695
City of Hoboken	212,811
Township of Weehawken	202,981
Liberty Science Center	141,518
Christ Hospital	83,199
Town of West New York	75,286
City of Union	58,876
St. Mary's Hospital	48,262
St. Francis Hospital	40,501
Township of North Bergen	36,566
Township of Kearny	22,868
Township of Secaucus	13,550
Township of Harrison	7,389
Township of Guttenberg	6,029
Meadowview Psychiatric Hospital	1,519
Total	<u>\$5,813,134</u>